

**Statement**  
**of**  
**Patricia S. Bradshaw**  
**Deputy Under Secretary of Defense**  
**(Civilian Personnel Policy)**  
**Before the**  
**House Government Reform**  
**Federal Workforce and Agency Organization Subcommittee**  
**"Retirees Returning to the Rescue: Re-employing Annuitants**  
**in Times of National Need"**  
**July 25, 2006**

## **Patricia S. Bradshaw**

Patricia S. Bradshaw has served as the Deputy Under Secretary of Defense for Civilian Personnel Policy since January 2006. In this role, she is responsible for formulating plans, policies, and programs to manage the Department of Defense (DoD) civilian workforce effectively, efficiently, and humanely. She supports the Military Departments and Defense Agencies through policy leadership and with personnel services provided by her staff of senior advisors and the Civilian Personnel Management Service. Her office also manages the nonappropriated fund personnel system and provides guidance for the foreign national employment program within the Department. Ms. Bradshaw serves as the DoD Deputy Chief Human Capital Officer.

Prior to her current appointment, she served as the President of a small consulting firm and also served on the Board of Advisors for several private sector companies, providing strategic and tactical human resources consulting. She also served as the Deputy Chief of Human Resources for American Management Systems, Inc. (AMS), a large IT consulting firm in Fairfax, Virginia.

She is no stranger to public service. Ms. Bradshaw spent 27 years with DoD and Department of Navy (DON) in a variety of senior level positions. Prior to her departure from the DON in 1999, she was the Senior Executive Director of Human Resources for the Naval Sea Systems Command, which had the largest civilian population within DON. In this position, she played a significant role in the design and implementation of personnel demonstration programs within the Department of Defense Laboratories.

Ms. Bradshaw began her Federal service as a Civilian Personnel Intern at the National Naval Medical Bethesda, MD. From there she moved into progressively more responsible positions within the Navy gaining experience in all areas of human resources to include staffing, classification, compensation, training and EEO. As the Director of Classification for the Navy, she was responsible for developing and implementing the Navy's Managing to Payroll program, which gave job classification authority to line managers.

In 1990, she moved to the Office of the Deputy Assistant Secretary of Defense for Civilian Personnel Policy where she served as the Director for Staffing, Career Development and Executive Resources. In this position, she was responsible for the DoD management of the Senior Executive Service and Senior Level System Programs, the Civilian Intelligence Personnel Management System, staffing policy, including civilian drawdown and transition initiatives, acquisition workforce issues, training and career development policy.

Ms. Bradshaw's awards include two Navy Superior Civilian Service Awards, the Classification and Compensation Society President's Award and the Defense Civilian Service Award. Her degrees include a Masters of International Management and a Bachelor of Arts (Secondary Education-German) both from the University of Maryland.

## **Introduction**

Mr. Chairman and Members of the Subcommittee:

I am very pleased to be here today on behalf of the Department of Defense to discuss the reemployment of annuitants and the current and future use of the authority by the Department of Defense.

I am very grateful and appreciative of the flexibilities that Congress has granted the Department of Defense with regard to managing its civilian resources. The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2004 provided us with the authority to reemploy Federal retirees without requiring that their salaries be reduced as a result of their annuity payments. Our goal in asking for this authority was to give us rapid access to critical skills for both emergencies and ongoing needs. Balancing the infusion of new talent (at all levels) with access to critical knowledge and expertise that will be lost as the aging workforce retires, the waiver authority was intended as an additional tool for the Secretary of Defense to use judiciously to support the Defense mission.

## **Background**

Reemployment within the Federal sector can be much less attractive than private sector employment for some Federal annuitants. A Federal retiree working for the private sector receives a full salary commensurate with the level of work he or she is expected to perform and there is no impact on annuity payments.

Contrast that with reemployment with the Federal government where prior to enactment of our authority, an employee's salary was typically reduced, sometimes significantly, by the amount of their annuity.

Prior to the enactment of NDAA FY04 all civil service retirees were subject to a salary offset unless a specific waiver had been granted by the Office of Personnel Management (OPM). Until September 11, 2001, virtually all of the Department's reemployed annuitants were subject to the offset. After 9/11, OPM took a very proactive approach to identifying flexibilities that would be useful in combating the new threat. Among the flexibilities OPM granted was a waiver of the salary offset restriction for retirees whose skills were critical to address 9/11 issues. This policy proved to be very helpful. In the two years before 9/11 we hired approximately 400 annuitants and all but 8 percent of those were subject to the offset. In the two years after the 9/11 authority was granted we hired more than 800 annuitants. Thirty-four percent of those annuitants were not subject to a reduction. However, the OPM 9/11 waiver could only be used to fill positions in functions directly related to the aftermath of 9/11. It was still necessary for the Department to seek OPM approval for waiver of salary offset to hire annuitants to fill any other urgent Defense personnel needs.

#### **DoD Reemployed Annuitant Authority Under NDAA FY04**

The authority and flexibility granted by Public Law 109-108 (title 5, United States Code, Section 9902(j)) provides the Department of Defense with the unique ability to quickly attract a pool of experienced candidates to meet critical and emergency needs. This authority is a key tool in ensuring the Department's ability to recapture skills developed through government employment and at government expense when needed to support critical initiatives. Additionally, with almost 30 percent of the DoD workforce eligible for retirement by 2011, it provides a method for managing the resulting loss of skills and corporate history without disruption to the mission. The Department is continuing with its transformation to meet the threat of the future and we recognize that succession planning is critical to ensure leadership continuity for all key positions. This tool is a crucial method to support our efforts.

The Department was very grateful to receive the authority and is mindful of the need to use it appropriately. We established Department policy that allows its use only in certain circumstances such as for hard-to fill or critical positions, positions requiring unique or unusual qualifications, when necessary to provide continuity during transitions, or for mentoring. Since November 2003, we have hired more than 1500 annuitants using the authority. This number represents a very small portion (less than one percent) of our total hires during the same time period. Fifty percent of these annuitants were placed in critical or hard to fill positions. Another 25 percent were annuitants with unique skills or qualifications.

The authority is working well. It enables the Department to attract the services of highly qualified annuitants who might otherwise have been deterred by the salary offset. We believe that perhaps the greatest benefit of the authority will be seen in connection with Base Realignment and Closure (BRAC), when the services of re-employed annuitants will ensure continuity of operations and result in organizational stability at closing sites.

Although the Department has used this tool effectively, we believe that one change to the law would make it even more effective. As currently written, any annuitant hired by the Department is **entitled** to receive both full salary and annuity. Since the payment of both salary and annuity becomes mandatory once an annuitant is reemployed, the Department has been managing use of the authority via policy that limits the reemployment of annuitants to specific situations. We believe it is more appropriate to manage the authority by limiting the application of the salary offset rather than limiting the actual employment of annuitants. This change would enable the Department to use waiver of the salary offset as a discretionary recruitment tool without generally limiting when retirees are given the opportunity to work for the government.

Providing discretionary authority to the Secretary would also allow us to address unintended consequences of our current authority. For some of our

annuitants receiving full salary in addition to their annuities is actually disadvantageous.

Under current law, any reemployed annuitant who receives full salary is excluded from chapters 83 and 84 of title 5 and therefore cannot continue to contribute to the retirement system and cannot earn additional service credit, no matter how long they are reemployed. While this may not affect employees who have voluntarily retired, employees forced into early retirement as a result of an involuntary separation frequently receive significantly reduced annuities. This category includes employees separated by reductions in force. In these cases, it may be beneficial for the employee to be subject to the provisions of Chapters 83 or 84 (i.e., the annuity terminates or the salary is offset by the amount of the annuity) than to receive a full salary and annuity.

Let me give you a quick example.

A 48 year-old CSRS annuitant took early retirement because his position was abolished. His annuity was reduced 14 percent because he was subject to an age reduction. He applied for Priority Placement Program consideration and was matched for a position in DoD. However, upon reemployment, his annuity continued as required and he was not able to make additional contributions to the retirement system. He was also

ineligible to make TSP contributions. Had he been reemployed in an agency other than DoD, his annuity would have terminated, he would have been covered by a retirement system, and been able to make TSP contributions. Upon his second retirement, he would receive his full annuity, with no reductions, and he could have significantly more TSP funds.

For Federal Employee Retirement System (FERS) employees the situation can be even more problematic. There are 3 components of the FERS retirement plan: FERS annuity benefits, which are significantly less than CSRS annuity benefits; Social Security benefits; and the Thrift Savings Plan (TSP). In some circumstances such as RIF, employees are forced to retire early. When this happens, FERS benefits are reduced and the employee may not yet be eligible to receive TSP or Social Security benefits. If reemployed under the current authority, these employees are unable to increase their benefits under either FERS or TSP.

Here is another example.

The position of a 57 year old FERS employee with 12 years of service was eliminated because of BRAC. Because of the retirement eligibility

structure under FERS, the employee was only eligible for a significantly reduced (about a 25 percent reduction) annuity (MRA+10) and accepted it in order to maintain her health insurance benefits. The employee was later reemployed with a DoD Component and worked for an additional 5 years. However, due to 9902(j) she was not eligible to earn additional retirement credit or have additional government contributions made to her TSP. Prior to 9902(j), she would have been eligible for a re-determined annuity after reemployment. At the age of 62 her new annuity would no longer be subject to an age reduction, plus she could have significantly more TSP funds for her second retirement.

If the law were revised to provide the Department discretionary authority, our intent would be to allow employees the flexibility to determine whether a salary offset is in their best interest when they are being offered a position meeting our salary offset waiver criteria. We would continue to apply the criteria we use today in determining whether a salary offset waiver is in the best interest of the Department. Annuitants who did not meet that criteria would be free to accept positions under the terms available in the rest of the Federal government, i.e., with a salary offset comparable to their annuity payments. As the Department positions itself to deal with the current BRAC, a revision of the current authority would meet both the needs of the Department and our employees.

Thank you for the opportunity to discuss this important tool available to the Department. I will now be happy to take any questions that you may have.